

RHB RESOURCE MANAGEMENT
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SENATE TAXATION
EXHIBIT NO. 1
DATE 4.7.09
BILL NO. HB658

April 6, 2009



Senator Jeff Essmann, Chairman
and Committee Members
Senate Taxation Committee

Mr. Chairman and Committee Members:

Please consider the following comments regarding HB658 with specific attention to Section 2, Class 10 property - forest lands; and Section 11, legislative intent-value of forest lands.

1. Please retain the language as presented in the current version of HB658 with regard to Sections 2 and 11. Section 11 has provisions to create a "Forest Land Taxation Advisory Committee" to work with the Department of Revenue to insure that forest land taxation is treated fairly for all parties concerned.
2. I am here today representing the Montana Forest Products L.P., a family owned partnership, which has owned about 6000 acres of forest land in Flathead County since the 1930's.

Thank you for your time and consideration.

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March 21, 2009

Representative Bob Lake Chairman
and Committee Members
House Taxation Committee



Mr. Chairman and Committee Members:

Please consider the following comments regarding HB658 and Section 13 part 15-44-103 Value of Forest Lands.

1. I am here today representing the Montana Forest Products L.P., a family owned partnership, which has owned about 6000 acres of forest land in Flathead County since the 1930's.
2. Since the productivity tax was established in 1993, I have been actively involved both in getting landowners support of the productivity tax system and in the reappraisal process in 1997 and 2003. The 2009 process had only limited opportunity for landowners to address potential problems with the DOR appraisal. Questions and/or supporting data for stumpage values and capitalization rate calculations have been ignored.
3. I would like this committee to support the creation of a "Forest Land Taxation Advisory Committee" as presented in item 10(a). However, the duties of the committee as presented in (c) (i) must be expanded to include subsections 5 and 6.
4. In the current reappraisal process, there is a major problem with the proposed Capitalization Rate of 6.27%. Figure 7 attached shows the rates used since 1994 and how they have fallen from 12+% to 6+% in 2009.

The growing of trees is a long term process; 60 to 100 years before income is received. During this time, there are costs such as planting, non commercial thinning, annual fire protection fees, and annual tax costs. Part of these are included as management cost in the current formula via the DNRC management costs.

Because forest land ownership is a long term investment, I encourage you to establish a minimum capitalization rate of 8 percent to be used in the 2009 appraisal and this rate be established as the minimum rate that could be used in future appraisal cycles.

Thank you for your time and consideration.

Ronald Buentemeier



Figure 7

Capitalization Rates Expressed As a Percent				
Valuation Zones	1994	1997	2003	2009
Zone 1	12.19	10.31	8.40	6.27
Zone 2	12.15	10.37	8.44	6.29
Zone 3	12.33	10.22	8.45	6.27
Zone 4	12.11	10.19	8.40	6.27
Zone 5	12.01	10.14	8.39	N/A